

State of Wisconsin  
BadgerCare Plus Demonstration  
Project Waiver

**Coverage of Adults Without  
Dependent Children with Income  
At or Below 100% of the Federal  
Poverty Level and Requiring  
Monthly Premiums for Adult  
Parents and Caretaker Relatives  
for Transitional Medical Assistance  
(TMA)**

Draft 1115 Demonstration Project  
Application

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## **Introduction**

The State of Wisconsin has been a leader in Medicaid and CHIP program innovation for many years. We were one of the first states to streamline and simplify our programs for families, pregnant women and children and one of the few states that expanded Medicaid to cover adults without dependent children. It has always been our goal to provide quality health coverage for our citizens. With the implementation of the Patient Protection and Affordable Care Act (ACA) provisions that will provide federally-funded subsidies to help individuals and families purchase private health insurance and that place limits on the amount of cost sharing that can be required of certain individuals and families, Wisconsin sees an opportunity to both decrease the ranks of the uninsured in our State, but also to facilitate the transition of those adults who have incomes above the poverty line and who have been dependent upon Medicaid for health coverage onto private health insurance.

## **Background**

Wisconsin has successfully achieved widespread health care access without a federal mandate. In 1999, the state implemented BadgerCare to provide a health care safety net for low-income families transitioning from welfare to work. BadgerCare Plus expanded coverage to families at higher income levels than had been covered under the Medicaid program.

Beginning in 2008, the following groups were eligible for coverage:

- 1) All uninsured children (birth through age 18)
- 2) Pregnant women with incomes at or below 300% of the FPL
- 3) Parents and caretaker relatives with incomes at or below 200% of the FPL

In 2009, childless adults with incomes at or below 200% FPL became eligible through the BadgerCare Plus Core Plan approved by an 1115 waiver.

Subsequently, in 2011, Wisconsin submitted the Medicaid 2014 Demonstration Project, amending the BadgerCare and BadgerCare Plus Core Plan demonstrations, to allow Wisconsin to require that non-pregnant, non-disabled adult parents and caretaker relatives whose incomes exceeds 133% FPL to pay a monthly premium.. This amendment was approved by the Center for Medicaid and Medicare Services (CMS) in April 2012 with an effective date of July 2012.

## **Demonstration Project Overview**

PPACA included provisions that will allow most individuals and families the opportunity to purchase private insurance through the Federally Facilitated Marketplace (FFM). For those with incomes greater than 100% FPL and not greater than 400% of the FPL, federal tax subsidies are available to help offset the cost of monthly premiums. Limits on out of pocket spending and additional subsidies for cost-sharing may also be available for low-income individuals who purchase private insurance through the FFM.

Wisconsin is committed to ensuring that Wisconsin residents have access to affordable insurance. In conjunction with the PPACA, the Wisconsin 2013-2015 biennial budget includes a provision that will change the income eligibility threshold for adult parents and caretaker relatives from 200% of the Federal Poverty Limit (FPL) to 100% of the FPL. Children and pregnant women will continue to be eligible for BadgerCare Plus so long as their incomes do not exceed 300% of the FPL and childless adults with incomes at or below 100% FPL will be eligible to enroll in BadgerCare Plus. The budget also includes a provision that childless adults, if this waiver request is approved, will be eligible for BadgerCare Plus Standard Plan benefits if their income does not exceed 100% of the FPL. All adults not otherwise eligible for BadgerCare Plus with incomes above the poverty level will have access to subsidized private insurance coverage in the FFM starting on October 1, 2013 with coverage effective on January 1, 2014.

This waiver request also includes a change for adult parents and caretaker relatives who qualify for Transitional Medical Assistance (TMA). TMA is a program which extends Medicaid for twelve months for certain individuals who, with the Medicaid eligibility changes approved in the 2013-2015 budget, have income exceeding 100% of the FPL due to an increase in earnings. TMA also extends eligibility for 4 months for certain individuals whose income has exceeded 100% of the FPL due to an increase in child or spousal support. Under the new waiver, all non-disabled, non-pregnant parents and caretaker relatives who qualify for TMA will be required to pay a monthly premium. Those adults who refuse to pay or fail to pay the monthly premium will not be allowed to enroll in BadgerCare Plus for twelve months. Currently, the monthly premium only applies to those non-pregnant, non-disabled adult parents and caretaker relatives who have income greater than 133% FPL. This waiver request asks the Department of Health and Human Services (DHHS) Secretary to approve a policy that would apply the TMA premium and restrictive reenrollment to all non-pregnant, non-disabled TMA adults and parents with incomes greater than 100% FPL.

## Project Objectives

- Ensure every Wisconsin resident has access to affordable health insurance and reduce the state's uninsured rate
- Provide a standard set of comprehensive benefits that will lead to improved healthcare outcomes at no additional cost to state tax payers and the federal government
- Create a program that is sustainable so our healthcare safety net is available to those who need it most

## Demonstration Populations

**Demonstration Population 1:** Childless adults eligible for coverage under this demonstration are defined as individuals between the ages of 19 and 64 years with income that does not exceed 100% of the FPL at the time of application or annual renewal. They are individuals who are not pregnant, or qualified for any other Medicaid, Medicare, or CHIP program. Childless adults may have children, but

either the minor children are not currently living with them or those children living with them are 19 years of age or older.

Wisconsin requests that DHHS waive § 1902(a)(34) and that, under authority of § 1115(a)(2) of the Act, expenditures identified for the demonstration population described below, which are not otherwise included as expenditures under § 1903, be regarded as expenditures under Wisconsin's Medicaid State Plan.

**Demonstration Population 2:** Parents and caretaker relatives eligible for Medicaid under Wisconsin's Medicaid State plan under section 1925 of the Act, who are non-pregnant, non-disabled, and whose countable family income is above 100% of the of the FPL.

Wisconsin requests that DHHS waive § 1902(a)(14) insofar as it incorporates section 1916, so that the demonstration population described below may be required to pay a monthly premium as a condition of continued TMA coverage and that those adults who refuse to pay or fail to pay are ineligible for the duration of the 12 month Restrictive Reenrollment Period (RRP).

## Demonstration Project Description

### Childless Adults Eligibility and Coverage

Since their inception, the Medicaid and CHIP programs have been focused on covering children, pregnant women, the parents and caretaker relatives of minor children, people with disabilities, elderly adults and others with medical needs because of specific health conditions (breast cancer, tuberculosis, need for long term care, etc.). Wisconsin was one of only a handful of states who expanded its Medicaid program to provide limited health coverage through Medicaid to childless adults. In 2009, when Wisconsin expanded Medicaid for childless adults there were few other health coverage alternatives available to this group even with incomes up to two times the poverty level. This will change with the enactment of the PPACA provisions that allow for the coverage of this group under Medicaid and provisions that provide federal funding to support premium and cost sharing obligations for private health insurance. With this in mind, Wisconsin is seeking this waiver to provide Medicaid coverage for childless adults with incomes that do not exceed 100% of the FPL, to allow those childless adults with higher incomes the opportunity to participate in the private insurance market (with federal financial supports) and to transition these individuals from dependency on public health coverage to independence through enrollment in private health insurance plans.

**Current Program:** Under the authority of an 1115(a) demonstration project waiver, Wisconsin currently covers adults without dependent children (referred to as 'childless adults' throughout this application) with incomes not exceeding 200% FPL, at the time of application or renewal, under the BadgerCare Plus Core Plan. Enrollment has been capped since October 2009 because of the federal budget neutrality requirements of the Core Plan waiver. As of April 2013 there are currently more than 145,000 individuals on a wait list. The limited benefit plan provided to this population does not meet either the federal creditable coverage requirement or the new PPACA-mandated Essential Health Benefits requirements. The current BadgerCare Plus Core Plan for Adults Without Dependent Children

Demonstration Project Waiver expires on December 31, 2013. Historical enrollment and aggregate expenditures (based on date of payment) for childless adults under the current waiver by State Fiscal Years (SFYs) are as follows:

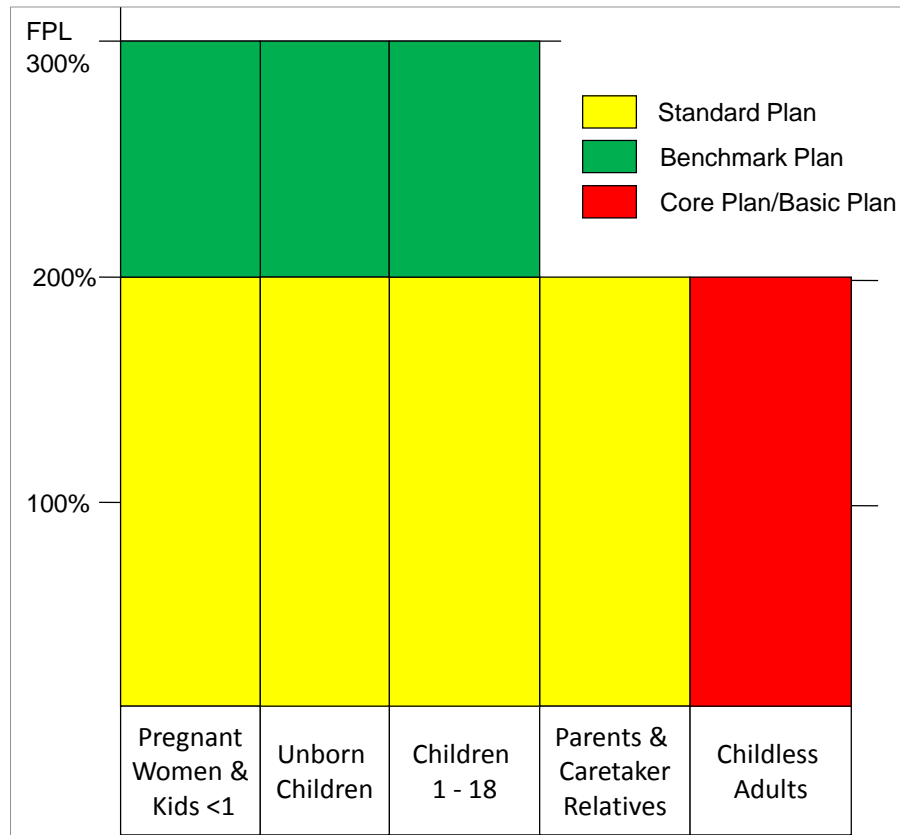
	<b>SFY 2009</b>	<b>SFY 2010</b>	<b>SFY 2011</b>	<b>SFY 2012</b>	<b>SFY 2013 Est.</b>
Average Enrollment	12,398	50,627	45,349	28,991	21,016
Aggregate Expenditures	\$51,075,005	\$182,620,259	\$144,075,850	\$106,538,654	\$96,066,396

Wisconsin currently covers, under the BadgerCare Plus Core Plan for Adults Without Dependent Children, those individuals who:

- Are 19 to 64 years of age;
- Are not pregnant or parents or caretaker relatives of children under age 19;
- Meet all Medicaid non-financial requirements (SSN, citizenship/identity, etc.);
- Are not otherwise eligible for full-benefit or benchmark plan Medicaid/BadgerCare Plus;
- Are not entitled to Medicare;
- Do not have access to health insurance through a current employer in the month of application or in the subsequent three months, regardless of the amount of employer contribution toward the premium.
- Have not had access to health insurance through a current employer in the past twelve months, regardless of the amount of employer contribution toward the premium, unless there is a good reason for not signing up. (For example, circumstances beyond a person's control which keep the person from following program requirements or specific eligibility conditions, such as premium payment or cooperation with medical support.)
- Is not currently covered by a health insurance policy (through employer or individual policy) and has not been covered by a health insurance policy for the past twelve months, unless individual has a good cause reason for losing the coverage (loss of employment, etc.).
- Have a gross income that does not 200% of the FPL at the time of application or renewal;
- Have completed a health needs assessment at application and annual renewal;
- Have paid the annual application fee of \$60 (waived for individuals who are homeless);
- Have a premium requirement and a restrictive reenrollment period of twelve months if a premium is not paid;
- For continued eligibility, have had a physical exam within the first twelve month certification period.

Individuals who have met these eligibility requirements are enrolled in the Core Plan or the Core Plan waitlist based on the plan's existing enrollment cap. Table 1 shows both the current eligibility limits for all children, pregnant women, adult parents and caretaker relatives and childless adults and the plans that cover each group.

**Table 1 - Current BadgerCare Plus Eligibility Limits and Benefit Plans**



The current Core Plan covers outpatient hospital and emergency room services, physician services, podiatry, reproductive health, smoking cessation services and emergency transportation. It has limited coverage of disposable medical supplies, generic and some brand name drugs, durable medical equipment, home care/personal care, inpatient hospital and speech, occupational and physical therapies. The copayments in the Core Plan are much higher than the Standard Plan and are mandatory. There are two different levels of copayments in the Core Plan with higher copayments for those with incomes above 100% of the FPL than for those whose income does not exceed 100% of the FPL.

Table 2 shows the discrepancies between the current Core Plan (childless adults), benchmark plan (pregnant women and children above 200% of the FPL) and the Standard Plan (pregnant women, children under 19, parents and caretaker relatives at or below 200% of the FPL).

**Table 2 - Comparison of Core, Benchmark and Standard Plans**

**Full Coverage in All Plans – Chiropractic, Hospital OP & ED, Physician, Podiatry, Reproductive Health, and Emergency Transportation**

Service	Standard Plan	Benchmark Plan	Core Plan
Dental	Green	Yellow	Red
DMS	Green	Yellow	Yellow
Drugs	Green	Yellow	Yellow
DME	Green	Yellow	Yellow
Hearing	Green	Yellow	Red
Home Care/Personal Care	Green	Yellow	Yellow
Hospital - IP	Green	Green	Yellow
Behavioral	Green	Yellow	Red
Nursing Home	Green	Yellow	Red
Therapies	Green	Yellow	Yellow
Vision	Green	Yellow	Red
Smoking Cessation	Green	Green	Green
NEMT	Green	Green	Red

Green = Full Coverage, Yellow = Limited Coverage, Red = No Coverage

As of May 2013, 18,253 individuals were enrolled in the Core Plan. As previously noted, enrollment has been limited by the agreement in the Core Plan waiver that imposed a federal budget neutrality cap on enrollment.

**Waiver Proposal (Demonstration Population 1):** Through a new demonstration project waiver, Wisconsin would cover those individuals who:

- Are 19 to 64 years of age;
- Are not pregnant or parents or caretaker relatives of children under age 19;
- Meet all Medicaid non-financial requirements (SSN, citizenship/identity, etc.);
- Are not otherwise eligible for full-benefit Medicaid/BadgerCare Plus;
- Are not entitled to Medicare; and
- Have a gross income, calculated using the federally-mandated Modified Adjusted Gross Income (MAGI) methodology, that does not exceed 100% of the FPL before application of a 5% disregard.



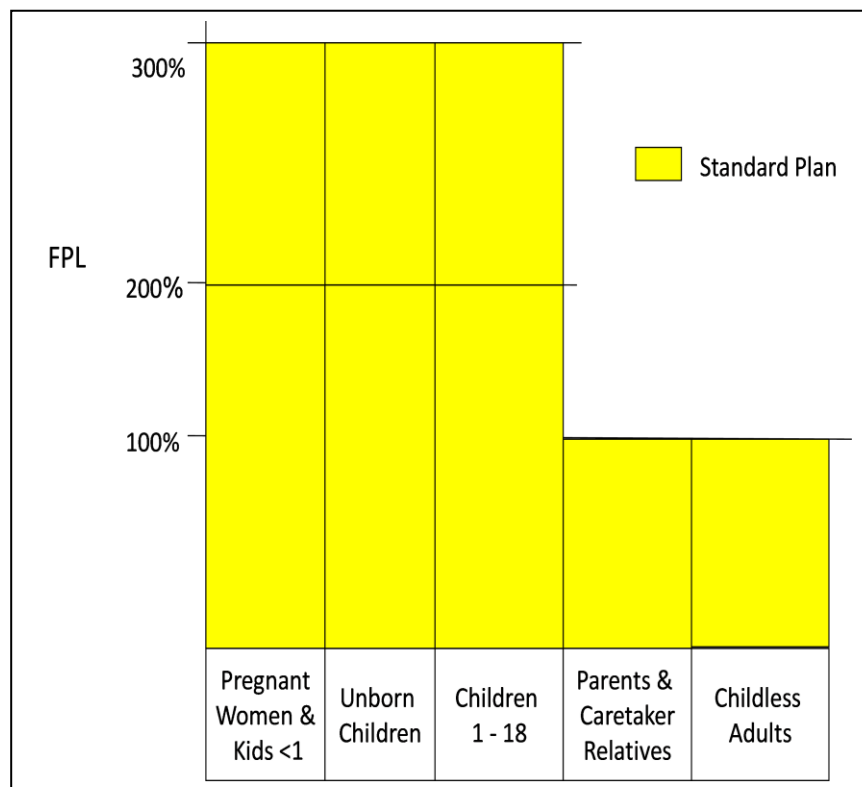
Eligible individuals will no longer be required to pay an annual enrollment fee or a premium, and the program will not be subject to an enrollment cap. Eligible individuals will also be enrolled in the BadgerCare Plus Standard Plan, which will be the same plan provided to all beneficiaries enrolled in BadgerCare Plus starting in 2014. Table 3 shows BadgerCare Plus eligibility limits and benefit plans effective January 1, 2014 with the approval of this waiver request.

For this proposed demonstration project, the projected annual Medicaid enrollment and aggregate expenditures (based on date of payment) for childless adults is as follows:

	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018
Average Enrollment	47,882	98,641	98,641	98,641	98,641
Aggregate Expenditures	\$199,145,069	\$386,759,524	\$402,229,905	\$418,319,101	\$435,051,865

The BadgerCare Plus Standard Plan covers all of these services and charges nominal copayments. Consequently, the plan being offered under the new BadgerCare Plus Demonstration Project Waiver for childless adults will cover all of the services that had been covered under the Core Plan, however it removes limitations that had been imposed for DMS, drugs, DME, home care/personal care, inpatient hospital, and therapies and adds dental, hearing, behavioral health, long term care, vision and non-emergency medical transportation services. The cost sharing will be nominal, as is the cost sharing for the Standard Plan for all other populations.

**Table 3 - BadgerCare Eligibility Limits and Benefit Plans 1/1/14**



We estimate that nearly 99,000 childless adults will enroll in BadgerCare Plus between January 1, 2014 and December 31, 2014 (an increase of approximately 82,000 individuals). We also estimate that nearly 5,000 childless adults will transition to the FFM and will be eligible for a federal tax subsidy and reduced cost sharing.

### Transitional Medical Assistance (TMA)

TMA has existed for many years to support the transition from welfare to work. TMA allows non-disabled, non-pregnant adult individuals to maintain their Medicaid coverage for twelve additional months once their income changes from an amount that would have qualified them for benefits under the former Aid to Families with Dependent Children (AFDC) cash assistance program to an amount above that income threshold. In Wisconsin, the AFDC income threshold is 100% of the FPL. This waiver is intended to align Wisconsin's TMA policy needs with both the new BadgerCare Plus eligibility limits for adult parents and caretaker relatives and the FFM with financial supports for qualifying individuals.

**Current:** TMA has existed in different forms since the enactment of the Omnibus Budget Reconciliation Act (OBRA 81). It supports the transition from welfare to work by allowing individuals whose earnings have increased to continue to receive Medicaid for a period of time. In Wisconsin, TMA allows individuals to maintain their Medicaid coverage for twelve additional months if:

- They have received Medicaid as part of the Section 1931 coverage group for three of the last six months; and
- Their earnings or spousal support has increased to a level that their total family income exceeds the Section 1931 coverage group eligibility income threshold. (In Wisconsin, the § 1931 eligibility income threshold is 100% of the federal poverty level (FPL).

As part of the Medicaid 2014 Demonstration Project, Wisconsin received a waiver that allows us to require non-pregnant, non-disabled adult individuals receiving Medicaid, including those on TMA, with family incomes that exceed 133% of the FPL to pay a monthly premium to maintain their Medicaid coverage. As currently occurs, those who either refuse to pay their monthly premium or who fail to pay a premium may be subject to a RRP. A RRP means the member cannot re-enroll in BadgerCare Plus for twelve months from the termination date while their income remains high enough to owe a premium.

Historical enrollment and aggregate expenditures (based on date of payment) for adults with Transitional Medical Assistance for the last four State Fiscal Years (SFYs) are as follows:

	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013 Est.
Average Enrollment	20,780	25,514	31,097	33,376	19,500
Aggregate Expenditures	\$69,322,080	\$85,114,704	\$103,739,592	\$111,342,336	\$65,052,000

**Waiver Proposal:** We are incorporating the TMA premium and RRP component of the Medicaid 2014 Demonstration Project (effective July 1, 2012) into the new BadgerCare Plus Demonstration Project Waiver with modifications. Beginning January 1, 2014, all non-disabled, non-pregnant adult parents and caretaker relatives, excluding tribal members, who qualify for BadgerCare Plus Standard Plan coverage through TMA only, would be required to pay the TMA premium, not just those with income greater than 133% FPL. All other provisions of the current TMA policy remain the same. Individuals will continue to be covered under the BadgerCare Plus Standard Plan benefit plan with the same copayments and other cost sharing requirements as all other BadgerCare Plus beneficiaries, outside of the monthly premium.

The affected populations will be subject to monthly premiums based on the sliding scale as outlined below. Pre-payment of the first month's premium payment is required at time of enrollment. Demonstration participants are responsible for making a monthly premium payment as a condition of continuing their eligibility and reenrollment, and will have a 60-day grace period for non-payment of the monthly premium before being disenrolled. Demonstration participants who fail to make a premium payment will be prohibited from re-enrolling into the Medicaid program for a period of twelve months.

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<b>Monthly Premium Amount based on FPL Percentage</b>	<b>Monthly Premium Amount as a Percentage of Income</b>
100.01 – 119.99%	2.0%
120 – 132.99%	2.5%
133 – 139.99%	3.0%
140 – 149.99%	3.5%
150 – 159.99%	4.0%
160 – 169.99%	4.5%
170 – 179.99%	4.9%
180 – 189.99%	5.4%
190 – 199.99%	5.8%
200 – 209.99%	6.3%
210 – 219.99%	6.7%
220 – 229.99%	7.0%
230 – 239.99%	7.4%
240 – 249.99%	7.7%
250 – 259.99%	8.1%
260 – 269.99%	8.3%
270 – 279.99%	8.6%
280 – 289.99%	8.9%
290 – 299.99%	9.2%
300% and above	9.5%

As of May 2013, there were approximately 19,114 adults enrolled in BadgerCare Plus through TMA. The number of adults receiving coverage under the TMA program has steadily declined at a rate of 500 per month since the premium and RRP requirements included in the 2014 Medicaid Demonstration Project were approved and implemented on July 1, 2012. We estimate that by January 1, 2014, when the policies under this waiver are implemented, there will be 15,000 adult parents and caretaker relatives eligible under the TMA program. Under the new premium income limit of 100% of the FPL, we estimate a reduction similar to when the premium was implemented for adults with incomes greater than 133% of the FPL, which was -23% between July 2012 and December 2013. If this trend is indicative of the number of adults who will no longer be eligible for BadgerCare Plus under the TMA program starting in 2014, then we estimate a further reduction of 3,450 adults by December 31, 2014, at which point the total number of adults eligible under the premium is expected to stabilize.

For this proposed demonstration project, the projected annual Medicaid enrollment and aggregate expenditures (based on date of payment) for adults covered through Transitional Medical Assistance is as follows:

	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018
Average Enrollment	15,000	11,550	11,550	11,550	11,550
Aggregate Expenditures	\$50,040,000	\$38,530,800	\$40,072,032	\$41,674,913	\$43,341,910

## Budget and Cost Effectiveness Analysis

### Approach to Ensuring Federal Budget Neutrality

Federal policy requires s. 1115 waiver demonstrations be budget neutral to the federal government. This means that a demonstration should not cost the federal government more than what would have otherwise been spent absent the demonstration. Particulars, including methodologies, are subject to negotiation between the State submitting the demonstration application and the federal Centers for Medicare and Medicaid Services (CMS).

To ensure budget neutrality for each federal fiscal year of this new, 5-year Demonstration, Wisconsin uses a per-member per-month (PMPM) based methodology specific to the Wisconsin childless adult population under 100% of FPL, in the context of current federal and state law, and with the appropriate, analytically sound baselines and adjustments. This includes:

- For an initial baseline figure for the average PMPM for a childless adult in 2013, use of most recent 12 months of expenditures for childless adults (HMO and fee-for-service), converted to an average PMPM, is the most accurate representation of the primary baseline costs associated with the current limited benefit package for this population and includes payments made under the actuarially sound, CMS-approved capitation rates.
- Adjustments to reflect, as appropriate:
  1. The incremental PMPM cost of the standard Medicaid services not covered under the current limited benefit package, most notably behavioral health services, pharmacy benefits, and non-emergency medical transportation.
  2. The lower cost sharing in the Medicaid standard benefit package.
  3. Use of Disproportionate Share Hospital (DSH) payments, expressed on a PMPM basis.
- Use of an analytically appropriate per capita trend factor. When demonstrating federal budget neutrality under a PMPM-based methodology, States typically use the national, Medicaid-specific per trends reflected in the President's most recent Proposed Budget.

- Multiplying aggregate average annual PMPM figures by the State's applicable Federal Medical Assistance Percentage (FMAP) for benefits.
- Conversion of figures from SFY or calendar year bases to a federal fiscal year basis.

With regards to budget neutrality for the Transitional Medical Assistance population, this proposal increases revenues that will offset expenditures. Therefore, budget neutrality will be achieved

### **Public Involvement and Public Comments**

This section is reserved for completion following the public comment process on this draft application.

Following completion of the public comment period, this section will describe in detail the State's public comment process (including public notice, website, and public meetings) and describe the comments received through the various means offered.

### **Evaluation Activities and Findings**

To assess the demonstration, the State will conduct an evaluation. The demonstration evaluation will include an assessment of the following hypotheses:

By providing the BadgerCare Plus Standard Plan benefits to childless adults under poverty, the State will:

- Improve health outcomes
- Reduce the incidence of unnecessary services
- Increase the cost effectiveness of Medical Assistance services
- Increase the continuity of health coverage

Therefore, the evaluation will examine the demonstration across the spectrum of access, outcomes, and costs, with an emphasis on the impact of the demonstration on the covered childless adult population in comparison to the prior waiver program and other BadgerCare Plus populations.

For the TMA demonstration we will continue to evaluate the impact of cost-sharing provisions on lower-income families above the poverty line. Questions the waiver evaluation will address will include whether or not participants will pay cost sharing, as well as whether or not the cost-sharing requirements will slow the growth of health care spending. The demonstration will consider policy choices related to the alignment of benefits and the equity of cost-share provisions for Medicaid and subsidized health insurance offered through the FFM.

A detailed evaluation design will be developed for review and approval by CMS. The evaluator will use relevant data from the BadgerCare Plus program, and its managed care organizations. This may include eligibility, enrollment, claims, payment, encounter / utilization, chart reviews, and other administrative

data. The evaluator may also conduct surveys and focus groups of beneficiaries and providers and other original data collection, as appropriate.

Both interim and final evaluations will be conducted to help inform the State, CMS, stakeholders, and the general public about the performance of the demonstration. All evaluation reports will be made public and posted on the Wisconsin Department of Health Services website.